

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: March 12, 2007 (As amended from March 8, 2007 statement)

Bill Number: S. 408 (Amended March 7, 2007 by the Senate)

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Committee Requesting Impact: House of Representatives

Bill Summary

A bill to amend Section 12-6-3360, as amended, Code of Laws of South Carolina, 1976, relating to the job tax credits, so as to provide that a county's designation may not drop more than one tier in the following year as a result of the annual ranking and designation of counties by the Department of Revenue.

REVENUE IMPACT ^{1/}

This bill would increase General Fund income tax revenue by an estimated \$1,896,910 in FY2007-08. This bill would reduce General Fund income tax revenue by an estimated \$400,000 in FY2008-09.

Explanation

The following is a review of sections of the bill related to revenues:

Section 1: This section would amend Section 12-6-3360(B) by adding a provision to prohibit a county's job tax credit designation from dropping more than one tier from the previous year as a result of the Department of Revenue's annual ranking and designation of counties. There was only one county whose job tax credit designation dropped more than one tier in calendar year 2007. In calendar year 2006, there were twelve counties designated as distressed counties with an \$8,000 income tax credit for each eligible new job created. In calendar year 2007, one of those counties was designated as an under-developed county, two tiers lower than the previous year, with each eligible new job receiving a \$3,500 tax credit. According to the Department of Commerce, one company in that county applied for and received approval for eligible job tax credits for 400 new jobs in 2006. Although the company has been approved for the job tax credits, the associated new jobs have not yet been created. Under the provision of this bill, if the same number of new jobs is created in that county during calendar year 2007, the jobs would be eligible for a tax credit of \$4,500 per new job instead of the present \$3,500 per new job. Multiplying 400 new qualified jobs by a tax credit increase of \$1,000 per job would yield an estimated reduction in General Fund income tax revenue of \$400,000 in FY2008-09 as this credit is applicable one year after a job is created.

Section 2: This section conforms the state income tax code references, with exceptions, to the Internal Revenue Service as amended through December 31, 2006. Based on an analysis of federal law changes recently enacted, the Department of Revenue has advised the Board of Economic Advisors that the net effect of enacted federal law changes is expected to increase General Fund individual income tax revenue by an estimated \$1,896,910 in FY2007-08.

/s/ William C. Gillespie

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.